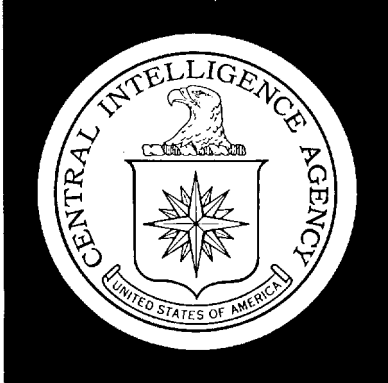


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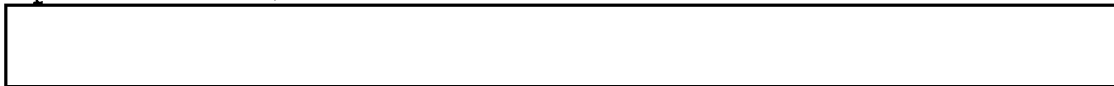
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CAMBODIA: The responsibility for forming a new government has been passed to Sirik Matak.

Following Lon Nol's abrupt decision yesterday to step aside, Chief of State Cheng Heng quickly designated Matak to organize a new cabinet. Lon Nol's latest about-face may have come as a result of Matak's unwillingness to serve in a reduced capacity in a proposed troika of deputy prime ministers. The two leaders met for the first time in over a week on 29 April, but the substance of their discussions is not known.

Matak probably is being given the first crack at this task because he has been acting prime minister, and because he has had Lon Nol's support. Matak probably would be willing to become prime minister, provided that all political factions agree to close ranks behind him. He is dealing from a fragile power base, however. Matak is not overly popular, and to the students and elements in the National Assembly he has become something of a symbol of the old guard. Still, he is capable and energetic and has established some rapport with a number of senior military officers. Whether the latter will back him in a political showdown is another matter.

If Matak is unwilling or unable to form a government, Son Ngoc Thanh's chances for becoming prime minister would improve considerably. He is clearly interested in the job, and his accession would be appealing to those younger elements who have been pushing for a thorough housecleaning in the top ranks of the government. He has a powerful supporter in Lon Non, who probably views Thanh as a more congenial substitute for his brother than Matak.

The latest developments in Phnom Penh increase the prospects for a further prolongation of the current political impasse. Thus far, the maneuvering

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in the capital has been conducted in an atmosphere notably free from tension or a sense of crisis. Further indecision, however, will almost certainly increase the potential for trouble as nerves begin to wear thin and questions are asked about how long the political drift can be allowed to continue in a country at war.



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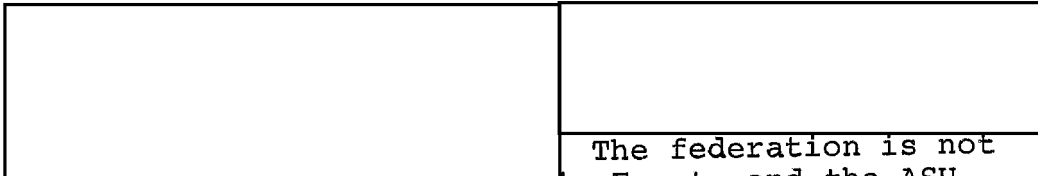
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EGYPT: President Sadat's scheduled speech tomorrow will probably include passages intended to quiet domestic critics of the nascent Federation of Arab Republics.

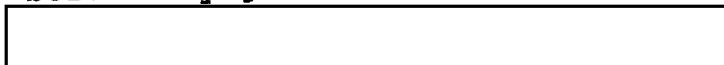
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The federation is not a genuinely popular concept in Egypt, and the ASU politicians appear to have seized on the issue in an attempt to increase their own influence on government policies.

Under President Nasir, the ASU was a political sounding board without power, and Sadat has tried to keep it that way. The President has moved to bring his opportunistic critics to heel, preserving the "democratic" process by modifying arrangements for the federation and having the changes ratified by all of Egypt's principal political and governmental bodies. Sadat sent emissaries to Tripoli and Damascus to get approval for these modifications. He is also reported to have the solid support of Sharawi Goma, the powerful interior minister, in defending his actions. The speech he has scheduled for tomorrow presumably is designed at least partially to express in popular terms the rationale for Egypt's ratification of the federation's statutes before any groundswell of opposition can develop.



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PAKISTAN: In the next two to three months, the army will try to consolidate its hold on East Pakistan while Bengali separatists attempt to organize active resistance, according to an assessment by the US Embassy in Islamabad.

In the embassy's view, the larger, better-equipped, and better-led West Pakistani forces appear to have the capability--even during the summer monsoon--of continuing their mopping-up operations, thus reducing Bengali forces into small uncoordinated groups.

The government will also continue its campaign to win political support in East Pakistan. So far, however, its backing has come largely from groups that did badly in elections last December. Only one of the 447 elected members of the national or provincial assemblies from the outlawed Awami League (AL) is supporting the government.

As the AL seeks to organize resistance, some radicalization of its leadership is inevitable, in the embassy's view. Over the short term, the crucial question will be whether the AL leadership can organize itself into a vehicle for insurgency.

The prospects for successful insurgency depend both on the will and ability of the Bengalis to continue in the face of government punitive tactics and on the degree of Indian support. The embassy thinks it is still an open question whether Bengali military and paramilitary personnel will be able to form a nucleus for an armed resistance movement. The embassy notes that India has so far provided only limited aid.



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NATO: Discussions this week in Brussels confirm that a majority of the Allies favor a forthcoming NATO position on talks with Warsaw Pact members on European security.

Most of the Allies now believe that the June NATO ministerial communiqué should state clearly that a Berlin settlement is the only prior condition for preparations for a conference on European security (CES). In discussions at NATO on Wednesday, Belgian proposals that any mention of NATO's current additional requirement for progress in "other on-going talks" be dropped met with fairly broad support. There was also wide agreement that an attempt should be made to improve the chances for talks on mutual and balanced force reductions (MBFR).

The Allies apparently believe that the outlook for talks on force reductions in Central Europe has already been improved by the recent favorable Soviet comments on the subject. Although it is unclear whether the Soviet references are anything more than an attempt to speed movement toward a CES, Moscow's public position on NATO's MBFR proposals has at least convinced the Allies that they should make some positive response. Even the French, who have abstained from previous MBFR initiatives, have left open the possibility that they might go along with some "mild mention" of MBFR in the communiqué.

Still contentious is the relationship between MBFR and other European security questions. The West Germans have said that they do not want MBFR talks until Berlin is settled, lest East Germany be given premature status in any multilateral forum. Moreover, Bonn would prefer convening a CES only if progress were being made toward force reductions. A number of Allies, however, are opposed to any statement in the communiqué that would require a Berlin settlement before multilateral MBFR explorations could begin. They are also reluctant--the French most emphatically--to pose MBFR in such a way that it could become a roadblock to a CES.

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AFGHANISTAN: Growing tension between the government and parliament could result in the ouster of Prime Minister Etemadi and his cabinet.

A no-confidence motion introduced in parliament on 28 April is scheduled for debate early next week. The motion was triggered by a wrangle over a procedural matter, but it is actually an outgrowth of dissatisfaction with the generally weak performance of the Etemadi-led cabinets, which have held office since late 1967. The government's alternate courses of action include a concerted effort to defeat the motion, resignation before it reaches a vote, or dissolution of parliament by King Zahir. The King has not yet indicated his intentions. Many Afghan parliamentarians believe that the motion will succeed if it reaches a vote, unless the King makes a vigorous effort to quash it.

King Zahir's "experiment in democracy," featuring a constitutional monarchy and an elected legislature, is only seven years old and has not yet established firm roots in his tradition-bound, illiteracy-plagued nation. Parliament, dominated by rural conservatives, is characterized by chronic absenteeism, long and noisy debates, and little tangible achievement. Political groups are weak, and the fate of most proposals is determined by nonaligned members who are easily swayed by lobbying and oratory.

The King, although aloof from day-to-day politics, remains the dominant force in the country and enjoys the loyalty of important power groups. He will probably try to continue his effort at modernization through parliamentary democracy, but he might designate someone else to head the government in Etemadi's place.

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NEPAL-INDIA: Lack of a trade and transit agreement with India since last November has seriously affected the Nepalese economy, but the King hopes appointment of a new prime minister will lead to an early end to the suspension.

Normally, about 90 percent of Nepal's trade is with India and most of the remainder transits India and the port of Calcutta. Only a small share is carried on with China through Tibet. Part of the Indo-Nepalese disagreement is over the type of goods that can be moved between the two countries and the methods of control.

The disruption of arrangements with India has caused prices of imported goods to increase 20 to 50 percent in the past six months while those of exportable goods such as rice and jute have fallen 20 percent. Customs receipts and excise taxes, which account for half of Nepal's domestic revenues, are declining, reportedly by as much as one quarter this fiscal year.

Hoarding of goods has become common and serious shortages have developed. Nepal's haphazard efforts to channel trade through public corporations and to expand industry toward self-sufficiency have further disrupted its economy. Although Communist China is moving to increase trade with Nepal, much of it, unless heavily subsidized by China, would be very costly to Nepal because of the high cost of truck transport over thousands of miles of poor roads.

The King has become increasingly concerned and realizes Nepal cannot remain adamant in the talks with India. In an apparent effort to resolve the trade-transit deadlock, he has appointed a new prime minister whose nationalist reputation may enable the government to reach a settlement with India without being subjected to charges of capitulation.

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JAPAN-USSR: A recently signed agreement calls for a trade target of more than \$5 billion over the next five years. Fulfillment of this agreement probably will increase the slim lead Tokyo achieved last year as Moscow's leading free world trading partner. In 1970, trade reached \$725 million, according to Soviet figures. Although the Japanese still buy more from the USSR than they sell in the Soviet market, expanding Japanese exports account for most of the rise in Japanese-Soviet trade in recent years. Moreover, the two countries are still discussing a variety of joint development projects in Siberia and the Soviet Far East that could lead to even closer economic ties in the future.

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NATIONAL INTELLIGENCE ESTIMATES

The United States Intelligence Board on 29 April 1971 approved the following national intelligence estimates:

SNIE 85-71	"Continuity and Change in Castro's Cuba"	<div data-bbox="1044 1014 1365 1064"></div>	25X1
NIE 80/90-71	"The Soviet Role in Latin America"	<div data-bbox="915 1108 1380 1165"></div>	25X1

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